



Notice is given that an ordinary meeting of the Corporate Services Committee will be held on:

Date: Thursday 3 September 2015
Time: 9.30 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Corporate Services Committee

AGENDA

MEMBERSHIP

Chairperson	Cr T B King	
Deputy Chairperson	Cr M J Higgins	
Members	Mayor R G Kempthorne	Cr M L Bouillir
	Cr J L Edgar	Cr B W Ensor
	Cr Z S Mirfin	Cr T E Norriss
	Cr B F Dowler	Cr M J Greening
	Cr P L Canton	Cr J L Inglis
	Cr P F Sangster	Cr S G Bryant

(Quorum 7 members)

Contact Telephone: 03 543 8453
Email: valerie.gribble@tasman.govt.nz
Website: www.tasman.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.

AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 PUBLIC FORUM

4 DECLARATIONS OF INTEREST

5 LATE ITEMS

6 CONFIRMATION OF MINUTES

That the minutes of the Corporate Services Committee meeting held on Thursday, 23 July 2015, be confirmed as a true and correct record of the meeting.

7 REPORTS OF COMMITTEE

Nil

8 PRESENTATIONS

Nil

9 REPORTS

9.1	Action Sheet - 3 September 2015	5
9.2	Corporate Services Manager's Report	9
9.3	Treasury Report.....	21
9.4	Treasury Risk Management Policy Amendment.....	31
9.5	Information Services Strategy Update to Corporate Services Committee.....	35

9 REPORTS

9.1 ACTION SHEET - 3 SEPTEMBER 2015

Information Only - No Decision Required

Report To: Corporate Services Committee
Meeting Date: 3 September 2015
Report Author: Valerie Gribble, Executive Assistant
Report Number: RFN15-09-01

1 Summary

- 1.1 The outstanding action items from previous Corporate Services Committee meetings are attached.
- 1.2 Progress on items is shown in the status column.

2 Draft Resolution

That the Corporate Services Committee receives the Action Sheet - 3 September 2015 RFN15-09-01.

3 Attachments

1. Action Sheet 7

Action Sheet – Corporate Services Committee

Item	Action Required	Responsibility	Completion Date/Status
Meeting Date: 23 July 2015			
	Cosman Parkes report on Forestry to be sent to Councillors	Valerie Gribble	Sent as confidential 26 August 2015, along with the management response
	Copy of letter from Commerce Commission to Mark Greening	Valerie Gribble	Sent 24 July 2015
	Information Services Strategy to be sent to Councillors	Peter Darlington	Sent 24 July 2015 – report in this agenda

9.2 CORPORATE SERVICES MANAGER'S REPORT**Decision Required**

Report To:	Corporate Services Committee
Meeting Date:	3 September 2015
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RFN15-09-02

1 Summary

- 1.1 **Departmental Matters** – The Koha and Donations policy has been reviewed with no changes required. The Motueka Clock Tower Trust and Richmond Unlimited have both provided a copy of their financial statements to Council. Seasonal ailments have taken a toll, and it has been many weeks since we had all department staff on deck.
- 1.2 **Finance Section** – The focus has been on the rates and revenue team who have been short staffed during this peak period. The annual report is being finalised and auditors are now on site. Other work continues as we focus on the reporting and forecasting changes being introduced.
- 1.3 **Information Services** – The section restructure is nearing completion. The section finished the year under budget in both the capital and operational costs areas. Staff continue to take an active role in contributing to meeting the strategic challenges in the Able Tasman programme.
- 1.4 **Property Services** – Work continues on programmed projects with several completed recently. We are dealing with the policy and operational issues raised by unmanned aerial vehicles (UAV). Formal offers have been presented to Wakatu Incorporation for the sale of two Motueka properties. A number of documents have been signed under delegated authority.
- 1.5 **Commercial Activities** – The Mapua precinct work continues, forestry harvesting levels are up and above budget financial returns have occurred. Work on implementing the Campground strategy continues. Port Tarakohe continues to trade with the improvements like the weighbridge now bedded in. A number of health and safety related issues have been identified and a work programme is being developed.
- 1.6 **Investments and CCOs** – A positive response to the Nelson Airport Ltd Constitution changes has been received from the Minister of Transport.
- 1.7 **LGFA** – The quarterly report has been received and paints a very positive picture of the ongoing success of the company. The shareholders council will shortly be recommending to shareholders two directors for election at the companies AGM.
- 1.8 **Risk Management** - No set off right exists for council between deposits and borrowing at a bank should the bank fail. The likelihood of this event is considered very remote.

2 Draft Resolution

That the Corporate Services Committee receives the Corporate Services Manager's Report RFN15-09-02.

3 Purpose of the Report

- 3.1 The report is to update the Committee on Corporate Services Department activities not covered in separate reports.

4 Departmental matters

- 4.1 The Koha and Donations Policy (attachment 1) has been reviewed by staff. This policy was adopted by Council in June 2013. The internal review has identified no changes needing to be made to this policy. The policy will next be reviewed in 2018.
- 4.2 As required in the loan arrangement The Motueka Clock Tower Trust has provided a copy of its financial statements for the year ended 28 February 2015. The outstanding balance of the loan at 30 June 2015 was \$74,724. Annual repayments are \$12,000, of which the Trust meets \$5,000, and the balance is funded from Reserve Financial Contributions. A copy of the Motueka Clock Tower Trust financial statements are available to Councillors upon request.
- 4.3 Richmond Unlimited has provided a copy of their annual report and financial statements. This organisation is funded by Council through a targeted rate. This report is available to Councillors upon request.

5 Finance Section Update

- 5.1 The months of July and August have been primarily focused on the rates function, both in preparation for the first 2015/16 installment, and dealing with the myriad of queries arising from valuation and rates changes. With key staff away the rest of the staff have been all called on to assist.
- 5.2 The team has also been busy completing the financial aspects of the 2014/15 Annual Report, with the Audit team here from 24 August for three weeks.
- 5.3 As well as assisting with rates and the Annual Report, the Management Accounting team has been setting up for the new financial year, preparing the systems for the quarterly reporting and capturing the forecasting estimates from budget managers.
- 5.4 With the addition of the Waimea Community Dam work, assisting with the joint solid waste proposal, reviewing and rolling forward systems for the 2015/16 Annual Plan, and rolling out the projects module, it has been a very full couple of months.
- 5.5 Seasonal ailments have also taken a toll, and it has been many weeks since we had all staff on deck, further underpinning the challenges we have had maintaining the work output of the team.

6 Information Services

6.1 Information Services Structure Review

The Information Services Structure Review is nearing completion with updated job descriptions completed and job mapping forms circulated to affected staff. The updated structure aims to improve internal customer service, delivery and capabilities of the team,

with regard to the future challenges and opportunities that the changing technological landscape presents.

Staff had until 20 August 2015 to confirm their agreement with proposed job changes. Three positions have changed significantly enough to warrant internal applications and these were also to be submitted by 20 August 2015. It is aimed to have the new structure in place and working by Monday 21 September 2015. The changes represent no increases to overall staff numbers but will achieve minor cost savings across the term of the current Long Term Plan.

6.2 Information Services Financial Position at 30 June 2015

At the end of the 2015 financial year, the operating expenditure for Information Services was at 97% of budgets. Capital expenditure finished the financial year at 55% of budgets.

Whilst operating expenditure costs are easier to manage, they are coming under increasing pressure as this is where we are seeing the most growth, as we move to a services based model and away from installing and maintaining all of our own systems in-house.

Consequently, this has seen a drop in overall capital expenditure as we look to buy in services rather than maintain expensive hardware and software items. As a consequence, capital accounts have been locked down with no increase for inflation as we do not foresee increases in capital expenditure during the current Long Term Plan period.

6.3 Contributions to Strategic Challenges

Information Services staff have taken an active role in several improvement projects associated with Council's Able Tasman Strategic Challenges programme. These include business process improvement, implementing and training on Promapp, project management improvement, and assisting with changes to staff induction, user needs and capabilities assessments.

7 Property Services

- 7.1 The Motueka Recreation Centre lift and stairwell project should be completed and signed off by this meeting date. Work has been done with minimal interruption to services.
- 7.2 The seismic repairs to the Motueka Memorial Hall have been completed, which has included the strengthening of the stage.
- 7.3 A new compressor has been ordered for the Richmond Aquatic Centre. The cost to purchase and install the compressor will be \$21,000.
- 7.4 Civil Aviation Authority has released new rules relating to unmanned aerial vehicles (UAV).
- 7.5 The Motueka Aerodrome Operations and Safety Committee has met to consider a request to operate a UAV within a 4 kilometre radius of Motueka Aerodrome. Any UAV operating within that zone requires approval from the aerodrome operator, which is the Property Services Manager. The Operations and Safety Committee has drafted a set of rules to apply to the applicant and will consider future applications on a case-by-case basis.
- 7.6 The Motueka Aerodrome Advisory Committee will have met by this meeting date and considered specific rules for UAVs operating within aerodrome flight paths.
- 7.7 Council's lawyers have presented offers to Wakatu Incorporation for the sale of the Council properties at 95 Wharf Road, Motueka and 17 North Street, Motueka. The offers have been

made in accordance with the High Court decision which was made previously in respect of the Port Motueka properties.

7.8 The following documents have been signed under delegation:

Licence to Occupy Road – Sundial Square, Coman Construction Ltd

Consent to limited as to parcels survey – Collingwood-Puoponga Road

Licence to Occupy Road – Wangapeka, Curnow

Licence to Occupy Road as access to Shed 4 – Mapua Wharf

Consent to declare land as road – Teapot Valley

Compensation agreement – C & E Hill, Road improvements Moutere Highway/Edward Road

Compensation agreement – E Evers, Moutere Highway/George Harvey Road roading improvements

Consent to limited as to parcel survey – Wensley Road, Richmond

Licence to occupy road – A Garland and G Head, Motueka Valley

8 Commercial Activities

8.1 Commercial Property:

8.1.1 Mapua:

- Leases remain current for existing tenants. We remain in discussion for the last three spaces for the new shed 4 rebuild – discussions are strong and verbal confirmations are held. Hamish's Café has closed and has now emptied its shop and offered keys back. The Golden Bear has draft development plans out that need further input before circulation.
- Community concerns about access between the Waterfront park and commercial precinct are being addressed through departmental discussions involving Parks and Reserves and Engineering. This is to ensure that a co-ordinated and integrated solution is found.
- Rock work protection of the coast and the Ngaio tree was completed late July 2015.
- Project management for the commercial (shed 4 site) build is now being undertaken by the Engineering Services project office. The development has hit delays around archaeological finds. They expected grounds works to be completed by 25 August 2015. Costs have yet to be finalised for the required ground works. Construction timetable is now pushing out because of slow progress around ground works and late access.
- Both Iwi and the Historic Places Trust are engaged on the rebuild and erosion projects.

8.2 Forestry:

The annual report was presented to the Commercial Subcommittee on 28 August 2015, and showed the following summary;

	Budget	Actual	Variation
Harvest Volumes	21,705 Tonne	22,498 Tonne	↑ 793 Tonne
Harvest Area	44.2 Ha	46.1 Ha	↑ 1.9 Ha
Gross Revenue	\$2,025,309	\$2,326,534	↑ \$301,225
Operational costs	\$813,937	\$796,628	↓ \$ 17,309
Net trading Revenue	\$1,211,372	\$1,529,907	↑ \$318,535
Other Revenue	\$82,000	\$120,024	↑ \$ 38,024
Expenses	\$853,895	\$613,156	↓ \$240,739
NPBT	\$439,477	\$1,036,775	↑ \$597,298
Dividends to Council	\$395,000	\$395,000	\$ n/c
Price per tonne	\$55.81	\$68.00 (2014:\$69.81)	↑ \$12.19

Results have largely exceeded budget and this is Council's best financial result to date. Volumes are set to expand by 50% this year to 30,000 Tonnes and grow to 80,000 Tonnes by 2024.

Co-sharing of recreational and commercial activities within Council forests has caused half of the health and safety and operational risk issues notified this year. A review remains underway to identify policy and other responses needed to manage these risks.

8.3 Campgrounds:

8.3.1 Motueka:

The repurchase of assets was approved and has been accepted by the lessee. Legal documentation is being prepared and settlement was expected the last week of August 2015.

Work on the building shed and cabins commenced on 24 August 2015 and they are scheduled for completion by November 2015. Works will cost \$45,000 higher than the initial budget due to consent requirements to limit any damage to one protected tree.

8.3.2 Pohara:

The repurchase negotiations have started and final negotiations are now scheduled for late 2015, early 2016. The urgent works at Collingwood have taken precedence over this work.

8.3.3 Collingwood:

Infrastructure failure and shortcomings have been determined. Emergency works around gas, electrical and plumbing needs have been completed at a cost of approximately \$40,000, to ensure bookings for school holidays and whitebait season can be honoured. A full business case covering the future of the campground will be prepared for later this year.

8.3.4 Murchison:

No issues have been raised. Operating costs are ahead of budget and the new owners are bringing the camp's condition and levels of service up to agreed levels.

8.4 Port Tarakohe:**8.4.1 Trade volumes:**

Cargo has slowed considerably in the past two months with the spat season and growing conditions (seasonal) not being optimal. This is weather and crop condition related. The activity in the past month shows volumes are returning but variable.

8.4.2 Weighbridge

Reporting shows large volumes of trade entering and exiting the Port which were not previously measured. This continues to lead ongoing discussions with port users.

Reports for December 2014 to July 2015 have been issued. All parties, except Talley's, have paid their accounts. Talley's continue to challenge Council on its ability to charge and the charging methodology used. Council and management have signalled a strong line will be taken around the commercial operation at the Port.

8.4.3 Operational/Health and Safety issues:

Staff have changed the focus by fully securing the port, removing stored equipment and excluding passenger vehicles from port operating areas, since November 2014.

The external audit was undertaken on 8 April 2015 and the final report is now to hand. We are completing a work schedule to correct identified issues according to urgency. No serious health and safety incidences were reported in the past quarter.

8.4.4 Occupancy:

- We have dropped to 70% occupancy as recreational parties have left the Port due to the level of charges. We are completing our annual review assessment, which will feed out of the Port Strategy document.
- The storage compound remains only 30% full.
- Campervan use is dropping as seasonal travellers reduce. Council has started conversations with the Boat Club and NZMCA about controlling this activity in a set area and within set rules.

8.4.5 Strategic Plan:

Work has started on the Strategic Plan. An external consultant was engaged to assist with the technical input around industry issues and similar Port benchmarking. However, six weeks after engagement that party has decided conflicts within the industry will prevent their involvement. We are continuing to identify a qualified party who can provide technical input around infrastructure and milestone requirements.

8.4.6 Commerce Commission complaint

As previously reported, the Commission advised no action was being undertaken at present and has requested that the parties reach a commercial resolution on this matter.

Staff have taken legal advice in regard to the use of Council's powers under the Local Government Act, which confirms we have set these fees correctly under S12 of the LGA 2002.

We are continuing to work with the lawyers and are engaging PricewaterhouseCoopers to review the Port charging methodology (used since 2013), and suggest any changes required around asset valuation, depreciation, and general business model issues. This piece of work is likely to take some time. In the meantime we have advised both the Commission and the

complainants that further engagement will not occur until after this review has been completed.

9 Investments and CCOs

9.1 We have received the formal response from the Minister of Transport Hon Simon Bridges on the proposed changes to the Nelson Airport Constitution. The minister has thanked us for bringing them to his attention and requested we keep him informed of developments at the Airport.

10 Local Government Funding Agency (LGFA)

10.1 The LGFA has provided its Quarterly report to 30 June 2015. The Shareholders Council has reviewed this and prepared its monitoring report. Key points from the Quarterly report were :

- The April 2015 LGFA bond matured and associated council borrowings were refinanced without any issues.
- LGFA margins to swap rates were unchanged to slightly wider during the quarter while LGFA margins to New Zealand Government Bonds narrowed in line with other non-government issuers.
- Debt issuance of \$370 million for the quarter was in line with the average quarterly issuance of \$379 million since LGFA commenced tendering in February 2012. \$1.5 billion of bonds were issued in the June 2015 financial year.
- Council borrowers continue to favour long dated terms from LGFA and bespoke lending has been very successful with \$79 million of non-standard lending undertaken.
- Total outstandings across the six LGFA maturities now stand at \$4.955 billion and LGFA is the largest issuer of NZD securities after the NZ Government.
- Offshore holdings continue to increase in nominal terms to \$1.4 billion and as a percentage of LGFA bonds outstanding (28.5%). This helps to further spread contraction and reduces our reliance upon domestic investors for funding.
- Implementation of the SunGard Quantum Treasury system has been successfully completed and LGFA is ready to take over front, middle and back office services from the Debt Management Office (DMO) on 1 July 2015.

These reports are available to Councillors on request.

10.2 The Shareholders Council has considered the appointment of directors and the composition of the board. This work has been lead by the board chair in conjunction the Shareholder Council chair. External advice and support from an external recruitment agency was also obtained. The Shareholders Council will shortly be making a recommendation to shareholders on the appointment of two directors at the LGFA AGM.

11 Risk Management

11.1 As expected, Council's bankers have confirmed that Council has no right of set off between deposits held and borrowings should a bank go into liquidation. The risk of this is considered very remote as Council's Treasury Policy only permits us to place deposits with

banks that have an A+ or above credit rating. In addition Council no longer holds its reserves in cash, further reducing its exposure.

12 Attachments

1. Attachment 1 - Koha and Donations Policy

17



Koha and Donations Policy

ORGANISATIONAL POLICY

POLICY REFERENCES

• Sponsor:	Corporate Services Manager
• Effective date:	5 June 2013
• Internal review due:	2015
• Legal compliance:	LGA 2002
• Associated Documents/References	CS01 Sensitive Expenditure Policy
• Policy Number	CS02
• Approved by Chief Executive	
• Approved by Council (If Applicable)	5 June 2013 Resolution CN13-06-21

Purpose

As a publicly funded and accountable institution, the Council must ensure that it conducts its business in accordance with the overarching principle of financial prudence. The Council must ensure that any donations or koha gifted to a third party are transparent and subject to appropriate scrutiny. In particular, the recipient must be a non-profit entity, and the donation or koha must relate to an activity or event which "fits" the profile of the Council, and is consistent with its vision and strategic objectives, and its image as a public institution.

This policy has been developed to clarify the circumstances in which donations and the gifting of koha by the Council to third parties is appropriate, and to explain the controls that apply.

Giving koha is the practice of bestowing an unconditional gift where the recipient has neither stipulated that it be given, nor has any expectation of receiving it. It is an integral part of Maori culture and significant protocol is attached to it. Traditionally, koha has taken many forms but in more recent times it has tended to be in the form of money.

Koha gifts are subject to the same internal control and accountability processes as any other financial transactions. In particular, the Council must ensure that no payment is made as "koha" (ie tax free) when the actual circumstances surrounding the payment carry an obligation to pay tax.

The word "koha" is often used loosely to describe various types of payment. However, this policy defines koha strictly as an unconditional gift within the context of the New Zealand taxation system. Any payment which incurs tax should not be called "koha". It is important to note that merely calling payment "koha" does not in itself alleviate the recipient from any tax obligations.

Principles

1. The Council affirms that a donation to a third party, including the gifting of koha, is appropriate in circumstances where:
 - a. There is a clearly identified relationship between the Council and the recipient of the donation or koha; and
 - b. It can be clearly demonstrated that the donation or gift satisfies the compliance obligations of this policy and either:
 - i. In the case of koha, is justified in cultural terms; or
 - ii. In the case of a donation, is justified in terms of its alignment with the Council's vision and strategic goals.
2. Personal relationships and obligations of Council staff members as private individuals do not of themselves establish relationships or obligations on behalf of the Council in the terms stipulated in section 1(a) above. When staff are attending a cultural gathering in a personal capacity, then any koha will be the responsibility of the staff member concerned.
3. Any koha given on behalf of Council should be reflective of the occasion and more importantly the prestige of Council in its relations with Tangata Whenua.
4. In some situations it is appropriate for koha to be in the form of gifts and taonga which is appropriate to the giver or the department being represented eg books or plants may be presented to Tangata Whenua as koha.
5. If there is a group or collective of Council representatives, only one koha should be given which represents the entire group or organisation.
6. All donations and gifts of koha must conform with the rules issued by the Inland Revenue Department.
7. The Council will only give donations or koha in cash under rare and exceptional circumstances. In these cases the prior written approval of the Chief Executive is required.

Payments which are not Koha

8. Payments are **not** koha if they have a taxation implication, such as:
 - a. A payment for personal services – this creates an employer/employee relationship and as a result PAYE must be deducted.
 - b. A payment for the provision of services or a fee for services – this is a business transaction and the payment is treated by the IRD as taxable income to the beneficiary.
 - c. A payment for the use of marae premises involving accommodation, food, drink and/or other services that is strictly a business arrangement. (In cases where a marae is registered for GST, such tax is payable by the Council in addition to the charge levied by the marae and is subsequently account for by the marae as GST input tax).
 - d. Any other payment that is not an unconditional gift – all such payments are assessable for tax in one form or another.
9. Any payments of the types described under section 9 above must not be described as koha, and must be charged to the appropriate expenditure account.

Requests for Koha or Donations

10. Except in exceptional circumstances, all requests for koha or donations must be made in advance of any koha or donation being given. Claims for reimbursement where prior approval was not obtained can only be approved by the departmental manager or the Chief Executive. For audit purposes, such claims are to include an explanation of the exceptional circumstances that led to the claim.
11. Requests for koha or donations must be submitted to the Corporate Services Department on an *Urgent Payment Request form* which:
 - a. Sets out the rationale for the koha or donation on the reverse side of the form; and
 - b. Stipulates the account code to be charged; and
 - c. Has been properly authorised by the relevant budget holder.
12. Any payment of more than \$200 is subject to the express approval of the Departmental Manager.

Gifting of the Koha

13. Koha and donations are normally issued in the form of a cheque.
14. Receipts should be obtained from the recipient of the donation wherever possible. (Presenting koha to a marae in cheque form is perfectly acceptable, however it is not appropriate to ask for a receipt.)

Review of Transactions

15. The Council reviews koha and donation transactions periodically to assess the appropriateness of the systems and criteria set out in this policy. Factors considered in such reviews include:
 - a. The amount of transactions
 - b. The frequency of transactions
 - c. The recipients
 - d. The extent of co-ordination within the Council (eg where more than one koha or donation is given in respect of the same event or activity).

Advice on Koha

16. Any queries about giving koha or donations should be directed to the Strategic Development Manager.

Donations

17. Council requires donations to be:
 - a. Lawful in all respects;
 - b. Disclosed in aggregate in the Council's annual report;
 - c. Made to a recognised organisation by normal commercial means (not to an individual) and not in cash and non-political.

Authority to Waive the Provisions of this Policy

18. Only the Chief Executive has the authority to waive the provisions of this policy in individual cases.

Receipt of Koha, or donations by staff

19. The detailed policy and monetary limits are included in the Council policy on Sensitive Expenditure Policy.
20. A koha, or donation, is usually given as a token of recognition of something provided by the recipient.
21. The receiving of a koha, or donation may be a sensitive issue. This policy aims to ensure that staff and elected officials' impartiality or integrity can not be called into question as a result of receiving a koha or donation.
 - a. Council staff are permitted to accept non-monetary koha or donations if they are infrequent and inexpensive.
 - b. Infrequent is defined as no more than three times in any 12 month period and inexpensive as having a monetary value of less than \$75.
 - c. In all instances staff must inform their manager or supervisor that they have received a koha or donation for service or appreciation.
 - d. The acceptance of any koha or donation with a monetary value exceeding \$75 must have the express approval of the Department Manager for staff to retain it.

Definitions

In this policy “**donation**” and “**koha**” mean an unconditional gift (in money or by way of goods or services) which complies with the following IRD definition:

“An unconditional gift is defined as a donation made to a non-profit body, where the giver (or any relative) does not receive any goods or services in return for the donation. This carries with it no obligations to account for tax.”

Inland Revenue rules – The IRD IR278 Guide to Payments and Gifts in the Maori Community.

Application

This policy applies to all payments from Council.



Authorised by

5/6/14

Date of approval:

9.3 TREASURY REPORT**Information Only - No Decision Required**

Report To:	Corporate Services Committee
Meeting Date:	3 September 2015
Report Author:	Bryce Grammer, Financial Accountant
Report Number:	RFN15-09-03
File Reference:	B059

1 Summary

- 1.1 This report updates Committee members on compliance with Council's Treasury Management Policy as at 18 August 2015. This is to reflect swap extensions undertaken in early August.
- 1.2 Council is complying with its Treasury Management Policy, as well as with treasury limits.
- 1.3 Council borrowings at 18 August 2015 totalled \$151.5 million. The weighted average interest rate on borrowings is 5.06%. Council's cost of funds including interest rate swaps, bank margins and line fees being taken into account is 5.15%, compared to a budget of 5.70%. Staff continue to closely follow the markets in order to capitalise on any opportunities to reduce Council's borrowing costs.
- 1.4 At current levels, the market is pricing in one 25 basis point (bps) cut in the OCR in September 2015, and an 80% chance of a further 25 bps decrease sometime in early 2016.
- 1.5 Prior to the end of the financial year a high level review of Council's bank facilities was undertaken. This review resulted in \$20m of bank facilities being cancelled. Now that the Long Term Plan 2015-2025 (LTP) has been concluded and the draft Annual Report mostly completed, a more comprehensive review of Council's bank facilities will be undertaken. This review will ensure that the current facility terms are extended out and that the facilities are set at an appropriate level for the lower LTP forecast debt. This review is likely to lead to a reduction and consolidation of the current bank facilities.
- 1.6 Staff have completed work on the Treasury cost centre which operates as Council's internal bank. In essence, the cost centre manages the external costs of borrowings and allocates them across internal loans within individual activities. It also pays interest on reserves and activity balances.
- 1.7 Standard and Poor's will be on site to review Council's credit rating on 8 September 2015.

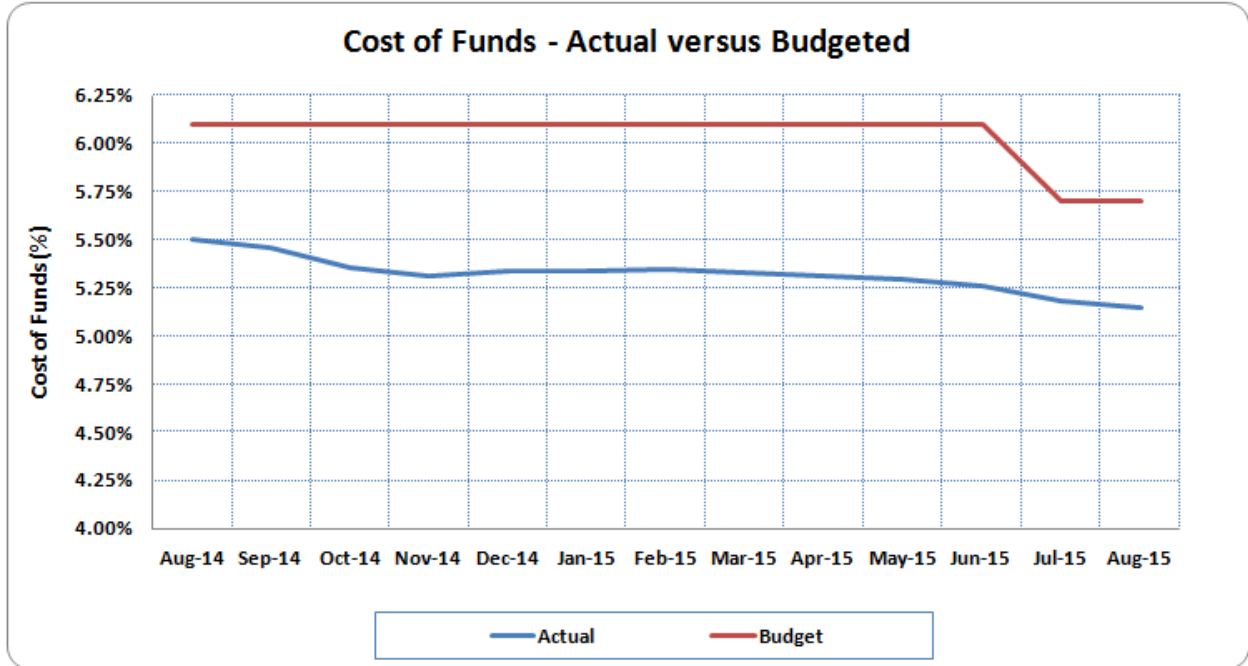
2 Draft Resolution**That the Corporate Services Committee receives the Treasury Report RFN15-09-03.**

3 Treasury: August 2015

Debt Levels

3.1 Council’s debt at 18 August 2015 stands at \$151.5 million, with an average interest rate of 5.06% (June 2015 5.166%).

Cost of Funds



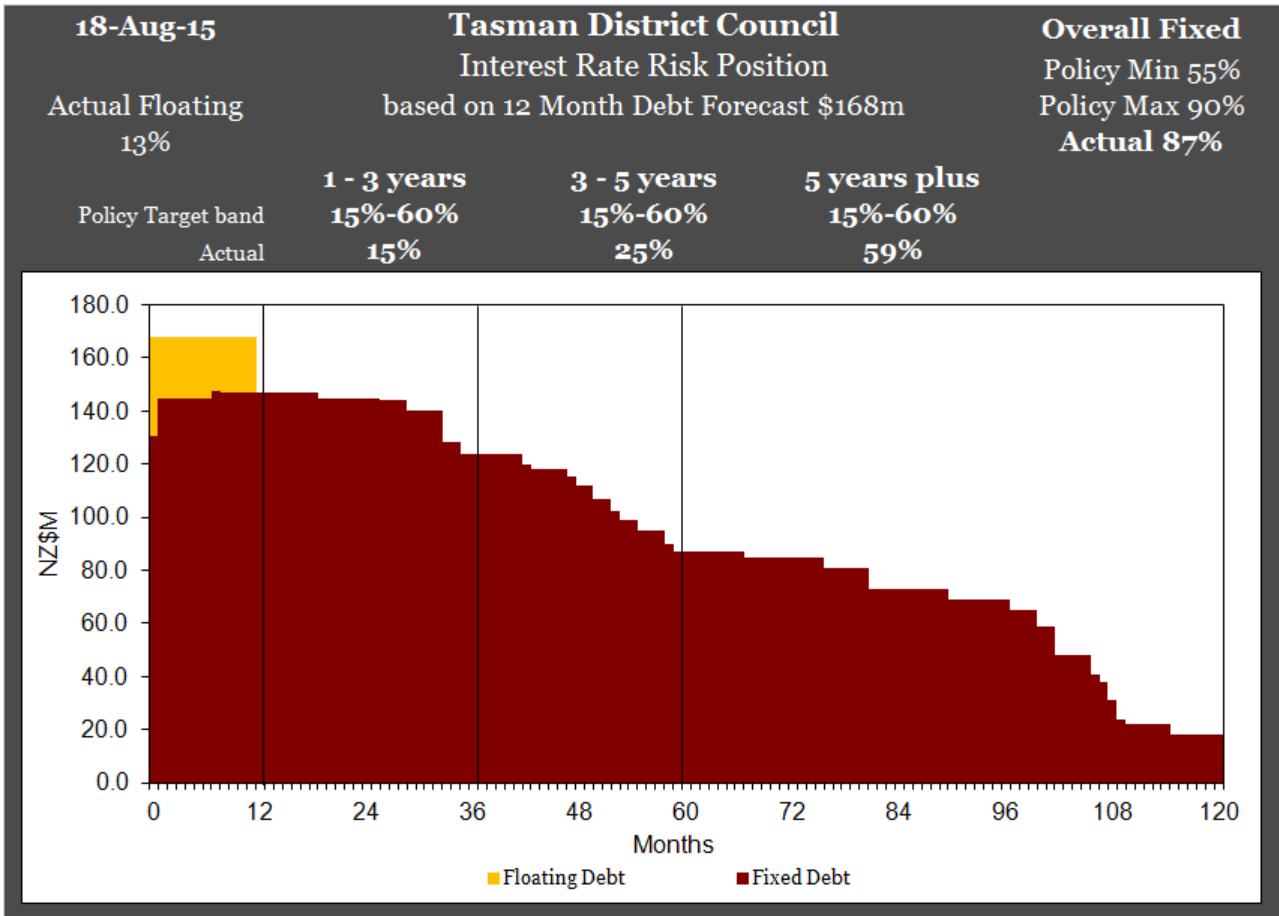
3.2 This graph shows Council’s actual weighted average cost of funds at 18 August 2015, including interest rate swaps, bank margins, and line fees at 5.151% against a budgeted rate of 5.7%. The decrease is from more favourable terms resulting from refinancing of the bank facilities and favourable 2-4 year term swap rates.

Interest Rate Swaps

- 3.3 The Corporate Services Manager has delegated authority to enter into interest rate swaps on behalf of Council on the proviso that it is reported back to this Committee. Committee approval is required before entering into long-dated swaps with a maturity over 10 years.
- 3.4 At 18 August 2015 Council had \$147.78 million of interest rate swaps in place, of which \$130.78 million is ‘live’ which is equal to 86% cover over existing debt and 87% over forecast 30 June 2016 net debt.
- 3.5 There have been no changes to the swap portfolio during July. In August Council undertook four swap extensions. It should be noted that, given the current fixed rate maturity profile, the extensions are all intra-bucket, ie remain within 1-3 year and 3-5 year buckets.

Treasury Limits

3.6 The following are details of Council’s compliance with Treasury limits. The chart below displays the interest rate risk position of Council.



Interest Rate Risk Position Graph

The interest rate risk position graph visually represents the interest rate position within approved interest rate control limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The crimson part of the graph depicts the amount of debt which is fixed – this includes fixed rate bonds, together with payer swaps, meaning debt which gets repriced in one year’s time or later. The top of the yellow area represents the forecast debt in a year’s time. The yellow area therefore illustrates the amount of debt deemed floating rate and will include any forecast debt that has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the red area.

The key areas of focus are:

Fixed Rate Percentage Limit: (wholesale interest rate certainty)

The fixed rate percentage calculation is the total amount of fixed rate debt/interest rate hedges over the 12 month forecast net debt amount. Fixed rate is defined as having an interest rate resetting maturity/expiry date of greater than 12 months.

Fixed Rate Maturity Limits: (spreading of wholesale interest rate maturity risks)

Fixed rate repricing maturity dates are spread based on defined maturity band limits, 1 - 3 years, 3 - 5 years and 5 - 10 years. Minimum and maximum percentage limits within each time band ensures a spread of maturities and reduces the risk of maturity concentrations.

3.7 Fixed Rate Maturity Profile Limit

This measures the spread of Council's risk of refinancing interest rates, achieved through the use of interest rate swaps.

	Minimum	Maximum	Actual: August 2015	Within Limits
1 – 3 years	15%	60%	15%	✓
3 – 5 years	15%	60%	25%	✓
5 – 10 years	15%	60%	59%	✓

3.8 Fixed/Floating Profile

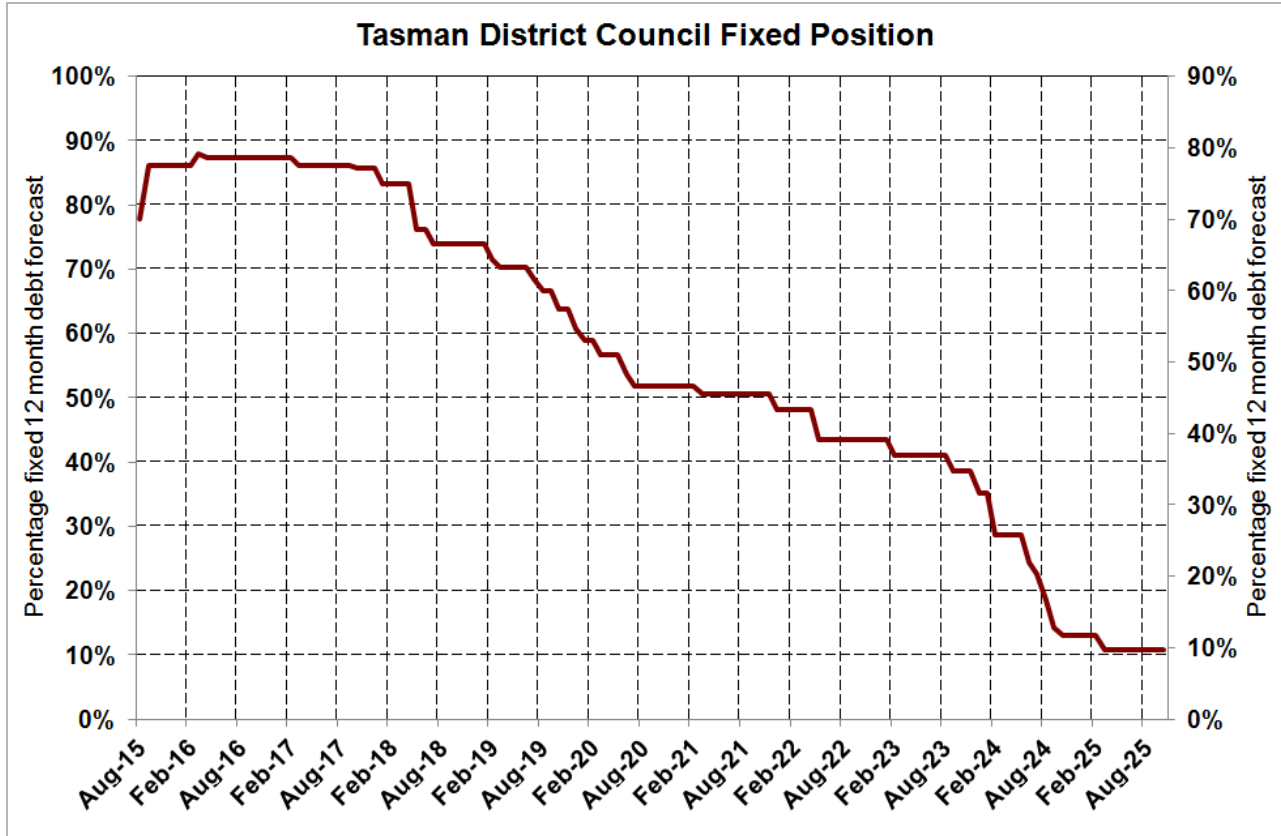
This measure shows the balance between minimising exposures to negative fluctuations in floating rates against savings opportunities. Council's strategy is to limit negative exposures and provide certainty of future interest rate costs. This is achieved through its use of interest rate swaps.

(A maturity greater than 1 year is defined as fixed)

Minimum	Maximum	Fixed Actual: August 2015	Within Limits
55%	90%	87%	✓

3.9 Cumulative Interest Rate Position

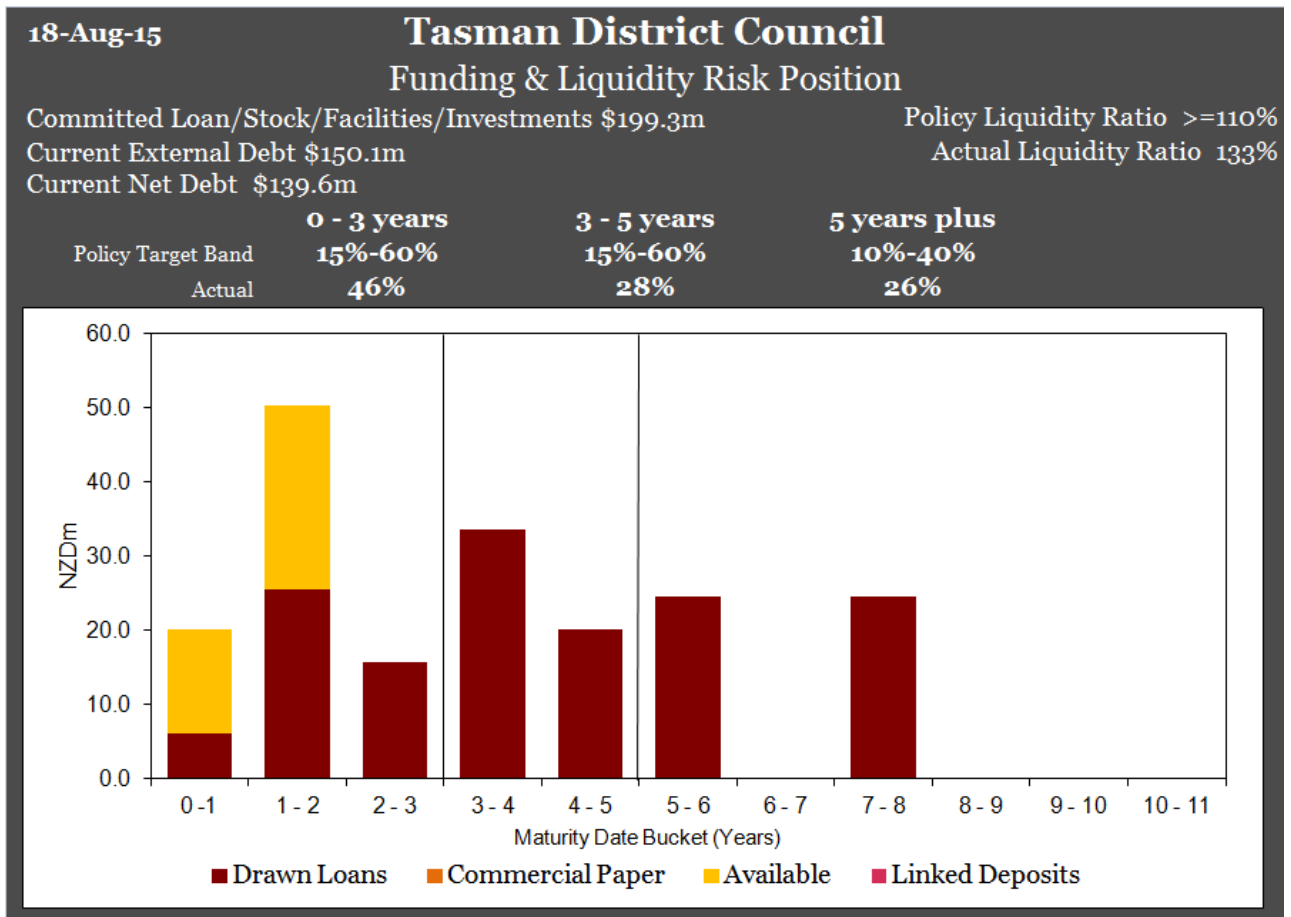
The chart below shows a cumulative interest rate position for Council. The chart represents the actual percentage of 12 month debt (\$168 million) that has a fixed interest rate out to 10 years.



3.10 Facility Maturity Limit

Total committed funding in respect to all loans and committed bank facilities is controlled as follows:

The chart below represents Council’s funding maturity profile. The measures indicate how effectively Council has spread the risk of refinancing its facilities and loans. The Liquidity Ratio represents the debt headroom available in Council’s facilities along with cash available over and above its existing external debt.



Liquidity and Funding Maturity Risk Position Graph

The liquidity and funding risk position visually represents the approved funding maturity limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The key areas of focus are:

Liquidity Ratio: (maintaining additional committed liquidity)

The liquidity ratio calculation represents the total committed bank facilities and term debt amounts, together with liquid investments, over the total debt amount.

Funding Maturity Risk Position: (spreading of debt maturity dates)

Existing committed bank facility expiry dates and term debt maturity dates are spread based on defined maturity band limits, 0-3 years, 3-5 years and 5 years plus. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduce the risk of maturity concentrations.

- 3.11 Council is complying with its Treasury Management Policy, as well as with Treasury limits.
- 3.12 Council currently has \$30m in private placements. The private placements allow Council to place longer term debt in the years between LGFA issues. Council also has \$90m of debt placed with LGFA.

3.13

Treasury Limits	Actual June 2015	Within Limits
Net Debt not to exceed 20% of equity	11.2%	✓
Net external debt not to exceed 225% of total operating revenues	128.6%	✓
Net interest as a % of total revenues to be less than 20%	6.1%	✓
Net interest as a % of total annual rates to be less than 25%	11.5%	✓
Liquidity over existing external debt to be at least 110%	134%	✓

(Note: Treasury limits have been prepared against June results as July results had not been finalised at the time of preparing this report.)

Counterparty Credit Risk

- 3.14 Council's policy is that NZ Registered banks must have a minimum Standard & Poor's (or equivalent) short term rating of A-1+ or long term rating of AA-. All counterparty banks are Standard & Poor's AA-rated.
- 3.15 The policy credit limit (NZ\$) for each NZ Registered bank is \$30 million. This covers Council's interest rate risk management instruments and cash investments.

Bank	Cash/Cash Investments \$m	Notional Swaps \$m	Credit Exposure \$m	Compliance
Westpac	1.20	63.05	14.83	Within Policy
ASB	9.27	41.73	19.99	Within Policy
ANZ	0.01	43.00	12.01	Within Policy

Funding Mix

3.16 The objective is to have a mix of 70% debt capital markets (such as LGFA, private placements and commercial paper) and 30% committed bank facilities. The current mix is as follows:

Funding Source	\$m	%
Bank Debt	31.5	20.8%
Private Placement	30.0	19.8%
LGFA Debt	90.0	59.4%
TOTAL	151.5	100.0%

4 Investments

4.1 Council cash investments total \$9.134 million dollars with an average interest rate of 3.4% (June 2015 4.43%). In line with the revised Treasury policy specific reserves are not kept as cash. Council continues to maintain adequate cash reserves and committed bank facilities to support any drawdown against specified reserves. The majority of the cash investments are held in the Money Market Account. This cash is as a result of monies being received towards the first rates instalment due 20 August. The excess funds will be used to repay \$6.5m of loans due later in August.

4.2 The individual investment balances are as follows:

	\$ invested	Interest Rate
Term Deposit (131 days)	1,200,000	4.43%
Term Deposit (32 days)	16,378	2.80%
Money Market Account (on call)	7,918,099	3.25%
Total	9,134,477	3.40%

5 Emissions Trading Scheme (ETS)**ETS hedging Limits**

5.1 There have been no new transactions entered into since the last report.

5.2 The ETS liability in relation to the solid waste activity for the 2014 calendar year is 19,865 units. Surrender of these units was done by 31 May 2015. (Note: Council was allowed until 1 June 2015 to purchase ERUs towards the surrender of these units. Council purchased these ERUs on the spot market at \$0.12 each on 18 May 2015 at a total cost of \$2,383.80, and these units were surrendered on Monday 25 May 2015. From 1 June 2015, only NZUs are allowed to be used towards ETS liabilities. The current spot rate for NZUs is \$6.80 per unit.)

5.3 Due to the deferral of the regional landfill for one year Council will have a liability under the ETS for the 2015 calendar year. Council's forestry assets and the related ETS liabilities/credits are accounted for separately to the landfill.

- 5.4 ETS credits are managed in defined time buckets incorporating minimum or maximum hedging.

	Minimum Cover	Maximum Cover	Actual August 2015	Within Limits
*Committed	80%	100%	100%	✓
Forecast period				
0 – 1 years	0%	80%	80%	✓
1 – 2 years	0%	50%	20%	✓
2 – 3 years	0%	30%	0%	✓

**exposure becomes committed in January-March (quarter following emission period as Council must report emission from the previous year).*

6 Standard & Poor's Credit Rating

- 6.1 Standard & Poor's (S&P) meets with Council on an annual basis to review Council's credit rating.
- 6.2 At this meeting S&P cover both extended regional factors and Council's planned activities over the coming 2 – 3 years. The meeting this year is scheduled for Tuesday 8 September 2015.

7 Attachments

Nil

9.4 TREASURY RISK MANAGEMENT POLICY AMENDMENT

Decision Required

Report To:	Corporate Services Committee
Meeting Date:	3 September 2015
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RFN15-09-06

1 Summary

- 1.1 Council's borrowing policy is contained within the "Treasury Risk Management Policy". Council has not in the past (pre the Local Government Funding Agency) been able to borrow long term as it relied on 3-5 year bank facility arrangements.
- 1.2 The Local Government Funding Agency has been progressively issuing longer dated debt. Just recently it has begun issuing 2027 stock into the capital markets. We intend to borrow through the 2027 LGFA stock issuances.
- 1.3 The Treasury Risk Management Policy interest rate risk control limits, requires that "Any interest rate swaps with a maturity beyond **10 years** must be approved by the Corporate Services Committee through a specific resolution." This approach is not practical for placing interest rate cover over this long term LGFA borrowing.
- 1.4 There are two main drivers for this change. The first is a more active and liquid swap market out beyond ten years and secondly, Council's ability to borrow long term with the development of the LGFA. These changes reduce the risks around entering into swap transactions out this far. It is therefore now reasonable to extend the staff's delegated authority in this area. Council's treasury advisors Price Waterhouse Cooper (PWC) have reviewed the change in delegations and recommend the policy is updated to only require swaps with a maturity beyond 12 years to be approved by the Committee.

2 Draft Resolution

That the Corporate Services Committee:

- 1. receives the Treasury Risk Management Policy Amendment report (RFN15-09-06); and**
- 2. recommends to Council that the Treasury Risk Management Policy Section 6.1.2 interest rate risk control limits, be amended to read "Any interest rate swaps with a maturity beyond 12 years must be approved by the Corporate Services Committee through a specific resolution."**

3 Purpose of the Report

- 3.1 To recommend to Full Council an amendment to the Council's Treasury Risk Management Policy to provide for long term interest rate swaps to match borrowing through the LGFA for terms longer than 10 years.

4 Background and Discussion

- 4.1 Council's borrowing policy is contained within the "Treasury Risk Management Policy". This policy was approved by Council in June 2014 and is next due for review in 2017. The 2014 review involved a major rewrite of the policy.
- 4.2 Council has not in the past (pre LGFA) been able to borrow long term as it relied on 3-5 year bank facility arrangements. In recent times there has also been more liquidity in the long term swap markets. Banks are now able to offer long dated swaps on competitive terms and rates.
- 4.3 The Local Government Funding Agency has been progressively issuing longer dated debt. Just recently it has begun issuing 2027 stock into the capital markets. As part of our interest rate risk management we need to be able to use interest rate derivatives over this long term borrowing.
- 4.4 The current Treasury Risk Management Policy section 6.1.2 interest rate risk control limits requires that "Any interest rate swaps with a maturity beyond **10 years** must be approved by the Corporate Services Committee through a specific resolution." Compliance with this provision will effectively constrain our ability to take advantage of the lower cost long term borrowing currently on offer through the LGFA.
- 4.5 Due to the need to respond to LGFA tender requirements and market conditions it is not practical to refer each proposed tranche of long term borrowing to the Corporate Services Committee for specific approval.
- 4.6 We have discussed this matter with our Treasury advisors PWC. Their advice is to amend the provision to read "Any interest rate swaps with a maturity beyond **12 years** must be approved by the Corporate Services Committee through a specific resolution."
- 4.7 If the LGFA make available longer dated borrowing beyond 2027 and an active and liquid interest rate swap market exists (around the later maturity dates) then it will be appropriate to revisit staff delegations again at that time.

5 Options

- 5.1 There are two options; to approve or to reject the proposed amendment to the Treasury Risk Management Policy. Considerations for these options are noted above.

6 Strategy and Risks

- 6.1 The ability to take advantage of current long term interest rates and the new long term borrowing available through the LGFA will be important to managing Council's finance costs down. This approach insofar as it has the potential to reduce finance costs supports the rates affordability component of the Financial Strategy.

7 Policy / Legal Requirements / Plan

- 7.1 Under the Treasury Risk Management Policy the Corporate Services Committee may consider and recommend amendments to this policy to Council.
- 7.2 The proposed amendment does not affect the Council's Liability Management Policy.

8 Consideration of Financial or Budgetary Implications

- 8.1 There are no budgetary implications in making this decision. A decision not to amend the Treasury Policy will constrain our ability to access longer term LGFA borrowing at favourable interest rates when the market opportunity occurs.

9 Significance and Engagement

- 9.1 This decision is considered to be of low significance given the technical nature, likely level of public interest, no impact on levels of service and its limited impact on overall Council finances.

10 Conclusion

- 10.1 The staff recommendation, supported by independent external advice, is to amend the Treasury Risk Management Policy to provide for delegated authority to enter into interest rate swap transactions with a maturity up to 12 years.

11 Next Steps / Timeline

- 11.1 If approved the recommendation will be considered by the Full Council at its meeting on 10 September 2015.
- 11.2 On approval the operative Treasury Risk Management Policy will be updated.

12 Attachments

Nil

9.5 INFORMATION SERVICES STRATEGY UPDATE TO CORPORATE SERVICES COMMITTEE

Information Only - No Decision Required

Report To: Corporate Services Committee
Meeting Date: 3 September 2015
Report Author: Peter Darlington, Information Services Manager
Report Number: RFN15-09-05

Item 9.5

1 Summary

- 1.1 The Information Services section maintains a three year strategic plan. The current plan period covers 2013-2016. The plan will be updated in 2016 to cover 2016-2019 period.
- 1.2 The current plan has four strategic work areas with associated improvements projects. These make up the Information Services Strategic Work Programme.
- 1.3 The new IS Strategy will focus on further improvements to customer service applications, business processes and electronic document and information management.

2 Draft Resolution

That the Corporate Services Committee receives the Information Services Strategy Update to Corporate Services Committee report RFN15-09-05.

3 Purpose of the Report

- 3.1 The purpose of this report is to update Corporate Services Committee on the IS Strategic Plan, including current progress and achievements as well as the future focus.

4 Background and Discussion

- 4.1 This report arises from a discussion at Corporate Services Committee in July on progress with customer service initiatives as part of the current Information Services strategy.

5 Options

The current IS Strategic Plan covers the period 2013 – 2016. The strategy focuses on four strategic work areas:

1. Focus on our Customers

We will put the customer at the centre of our processes, systems and architecture. This will help us provide consistent access to our customers' relationship history and enable us to provide better, more efficient service.

2. Actively Manage our Information

We will give priority to our corporate information, held across all systems, and work to make information access easier, more transparent, and above all more useful to our customers, both internal and external.

3. Build Better Processes

We will add value and minimise wasted overhead by focusing on process efficiency, aligning systems and processes across departments, and aiming for simplicity and clarity in a complex environment.

4. Provide a Solid Base Infrastructure

We will continue to provide a robust, reliable information infrastructure, building the network's resilience and ensuring that our customers receive excellent service and support.

The current strategy and associated work programme is overseen by the internal steering committee, the Information Services Governance Group. This group meets quarterly to assess progress and make recommendations on future projects, budgeting and strategy. Large projects also get sign-off from the Senior Management Team. Key projects and changes are reported through to the Corporate Services Committee as part of the Corporate Services Manager's report.

The current strategy will be renewed in 2016 for the period 2016-2019 and will reflect the strategic challenges and priority set by Council and management.

Projects and Achievements from the Strategic Work Areas**Work Area One – Focus on our Customers**

Improvement Project	Outcomes	Status
Improve Customer Service Requests	<ul style="list-style-type: none"> - Rolled out to all TDC staff - Improvements to dashboard performance reporting of service requests 	Completed Completed
Improve electronic transactions and correspondence	<ul style="list-style-type: none"> - Creation of electronic letterhead for use in forms and letters - Emailing of rates notices - Implementation of NCS Customer Engagement system to offer better views for customers and more payment options - Creation of the updated electronic Building Consents process - Creation of the updated electronic LIMs process - Improvements to Water Consent Metering (WCM) functions and process 	Completed Completed In Process Completed Completed In Process
Improve electronic engagement	<ul style="list-style-type: none"> - Implementation of NCS Customer Engagement system to offer better views for customers and more payment options - Creation of the updated new submissions system 	In Process Completed
Improve regional technology services	<ul style="list-style-type: none"> - Continue improving the Top of the South Maps public mapping system - Provide Council input into regional broadband and digital services improvements 	Complete In Process
Improve internal communications	<ul style="list-style-type: none"> - SharePoint Intranet upgrade to allow more information to be shared across Council, improving visibility of activities 	In Process

Work Area Two – Actively Manage our Information

Improvement Project	Outcomes	Status
Improve Records and Document Management	<ul style="list-style-type: none"> - Implementation of SilentOne electronic document management system across organisation 	In Process
Improve access to information	<ul style="list-style-type: none"> - Upgraded to ExploreTasman 2 with updated data and tools - National Land, Air and Water Aotearoa (LAWA) system implementation - Water Consent Metering (WCM) system upgrade and improvement 	Completed Completed In Process
Improve health & safety systems	<ul style="list-style-type: none"> - Implementation of Vault system 	Completed

Work Area Three – Build Better Processes

Improvement Project	Outcomes	
Improve documenting and sharing of business processes	- Promapp system implemented and used across Council	Completed
Improve efficiency through automation, minimise manual paper handling	- Creation of the updated electronic Building Consents process - Creation of the updated electronic LIMs process	Completed Completed
Improve efficiency through maximising use of mobile technologies in the field	- Implemented new contractor mobile asset mgt system - Update Building Consents mobile inspections - Created environmental health mobile inspections	Completed Completed Completed
Improve project management capabilities	- Implementation of Project Accounting functionality in MagiQ system	In Process

Work Area Four – Provide a Solid Base Infrastructure

Improvement Project	Outcomes	Status
Improve Council office infrastructure	- Wifi system across offices - New Emergency Operations Centre fitout - Golden Bay Service Centre office shift - Creation of NZTA license registration service at Murchison Service Centre	Complete Complete Complete Complete
Improve network performance	- Storage Area Network (SAN) upgrade - Retender and upgrade Wide Area Network (WAN)	Complete Complete
Improve communications infrastructure	- Microsoft Skype for Business upgrade - Videoconferencing and audio visual improvements in Council meeting rooms	Complete In Process
Improve staff competencies	- Implemented staff user needs assessments - Improved staff training programme - Improved induction programme	Complete Complete Complete
Manage risks to Council information	- Boundary Services upgrade - Network and firewall diversity - Implement out of region backup	Complete In Process In Process

6 Strategy and Risks

6.1 The Information Services Strategy will be renewed in 2016 for 2016-2019

6.2 The updated strategy will concentrate on

- Further improvements to customer experience (electronic access to information and services)
- Transition of manual business processes to more electronic and automated ones
- Continue to improve digital services taking advantage of improved systems, changes to business processes and the increased Council information in electronic format
- Look for opportunities with technology changes to simplify infrastructure and improve performance

6.3 The following projects are included in the strategic work programme but for coming financial years but do not have a final timeline confirmed;

- Ability to make online applications (building, resource consents)
- New Council Web services (Website upgrade)
- Upgrade to latest version of NCS MagiQ (will improve customer logging and mobility options)
- Complete the implementation of electronic document management (SilentOne)
- Upgrade and make improvements to Council Growth Model
- Review Tasman Resource Management Plan upgrade, add online “E-Planner” functionality
- Enterprise data model review
- Top of the South Maps – future strategy & Cloud options
- Windows Server, Windows 10 and Office 2013/16 upgrades
- Review Microsoft Exchange email server and Office 365 Cloud options

7 Policy / Legal Requirements / Plan

7.1 The Information Services strategy and planning process integrates and takes a lead from outcomes from Council’s Long Term Plan and other strategic planning processes.

8 Consideration of Financial or Budgetary Implications

8.1 All financial and budgetary considerations are managed within the fiscal envelope created by the Information Services budget.

9 Conclusion

9.1 It is recommended that;

Progress on strategy work and Information Services initiatives continue to be reported to Corporate Services Committee on a regular basis.

9.2 Feedback is sought from Councillors as part of the new Information Services Strategic Plan, 2016-2019.

10 Next Steps / Timeline

10.1 Planning for the upgrade of the Information Services Strategic Plan will take place from February 2016 with a view to being in place from 1 July 2016.

11 Attachments

Nil